

## Message Text

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10

ACTION EUR-12

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 PA-01 PRS-01

/094 W

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R 201444Z FEB 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 9174

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY THE HAGUE

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L LONDON 02695

NOFORN

E.O. 11652: GDS

TAGS: ENRG UK

SUBJECT: NORTH SEA OIL: HMG MAJORITY STATE PARTICIPATION  
AND REFINERY POLCY

REF: (AB) BONN 2396; (B) LONDON 1399 (NOTAL)

1. REFTTEL A REPORTED FRG CONCERN OVER HMG PLANS FOR  
MAJORITY STATE PARTICIPATION IN NORTH SEA OIL FIELDS AND  
HMG'S AVOWED INTENTION TO REQUIRE DOMESTIC REFINING OF  
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NORTH SEA CRUDE. LONDON 1399 OUTLINING THE SHAPE OF

MAJORITY STATE PARTICIPATION IS BEING REPEATED BY SEPTEL FOR YOUR BACKGROUND INFORMATION. IN VIEW OF HIGHLY CONFIDENTIAL NATURE OF OUR DISCUSSIONS WITH HMG AND INDUSTRY OFFICIALS AND SENSITIVE POLICY CONSIDERATIONS POSED AS A CONSEQUENCE OF PRE-EMINENT POSITION OF U.S. OIL COMPANIES AND BANKS INVOLVED IN NORTH SEA DEVELOPMENT, EMBASSY SUGGESTS INFO ADDRESSEES REFRAIN FROM INITIATING DETAILED DISCUSSION OF PARTICIPATION ISSUE WITH FOREIGN GOVERNMENT OR INDUSTRY OFFICIALS.

2. HMG POLICY REGARDING DOMESTIC REFINING OF NORTH SEA PRODUCTION HAS NOT BEEN CLEARLY DEFINED AS YET. ALTHOUGH IT IS REQUIRED THAT NORTH SEA CRUDE NOW BE PHYSICALLY LANDED IN BRITAIN, HMG HAS NOT GONE BEYOND INDICATIVE "WEASEL WORD" STATEMENTS THAT "UP TO TWO-THIRDS" OF OFFSHORE PRODUCTION IS EXPECTED TO BE REFINED IN THE UNITED KINGDOM. AS A PRACTICAL MATTER, BRITISH OFFICIALS ARE AWARE THAT, EVEN WITHOUT THE CONSTRUCTION OF ADDITIONAL CATALYTIC CRACKING CAPACITY, UK REFINERY CONFIGURATION CAN UTILIZE NO MORE THAN ABOUT 50 PERCENT NORTH SEA CRUDE, THE BALANCING BARRELS COMING FROM HEAVY CRUDE IMPORTS OF MIDDLE EAST ORIGIN MOST LIKELY. ASSUMING ADDITIONAL CATALYTIC CRACKER CAPACITY, MAXIMUM OF TWO-THIRDS NORTH SEA CRUDE COULD BE DOMESTICALLY REFINED. IN EITHER CASE, END RESULT WOULD BE SELF-SUFFICIENCY FOR LIGHT PRODUCTS AND AN EXPORTABLE SURPLUS OF MIDDLE DISTILLATES AND HEAVY FUEL OIL.

3. HMG OFFICIALS ARE PRIMARILY CONCERNED ABOUT POLITICAL AND COMMERCIAL CONSEQUENCES OF PERMITTING INDIVIDUAL COMPANIES TO EXPORT ALL OR MOST OF THEIR SHARE OF NORTH SEA PRODUCTION. IN THIS REGARD, BESIDES PREDICTABLE COMPLAINTS OF OIL COMPANIES INVOLVED, OFFICIALS ARE ALERT TO OBJECTIONS WHICH MIGHT BE POSED BY OTHER EC MEMBER STATES PURSUANT TO PROVISIONS OF ROME TREATY SHOULD BRITAIN ATTEMPT TO RESTRICT FREE MOVEMENT OF NORTH SEA OIL,  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** DISPUTES, PETROLEUM INDUSTRY, OFFSHORE OIL FIELDS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 20 FEB 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
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**Reference:** 76 LONDON 1399  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 30 MAR 2004  
**Review Event:**  
**Review Exemptions:** n/a  
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**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** NORTH SEA OIL: HMG MAJORITY STATE PARTICIPATION AND REFINERY POLCY  
**TAGS:** ENRG, UK  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006